

PUBLIC DISCLOSURE

AUGUST 30, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LYNN MUNICIPAL EMPLOYEES CREDIT UNION

CITY HALL
LYNN, MA 01901

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **LYNN MUNICIPAL EMPLOYEES CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Lynn Municipal Employees Credit Union has exhibited a satisfactory loan to share ratio, as well as a willingness to lend to low and moderate income individuals within its membership.

The loan to share ratio analysis indicated an average ratio of 60.9 percent over the prior two years. The ratio has fluctuated over this time period from 58.2 percent in December 1997 to 68.2 percent in June 1999. The credit union approved a total of 227 loan applications for a total dollar value of \$628,514 as of June 30, 1999, and appears to meet the credit needs of its members based on the number of loans originated. Given the credit union's asset size, its competition, and the credit needs of its membership, the loan to share ratio is considered satisfactory.

An analysis of loans extended by income of borrowers indicated that a significant majority (76.7 percent) of the total loans originated for the time period covered, were extended to low- and moderate- income individuals.

Finally, there were no complaints received by the credit union pertaining to its CRA performance. Although the credit union has not adopted a formal fair lending policy, there were no policies or activities observed which could be construed as discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

Lynn Municipal Employees Credit Union is a state-chartered credit union, which was established in 1941 to serve the credit needs of its membership.

Lynn Municipal Employees Credit Union is located at the City Hall in Lynn, Massachusetts. The credit union provides limited deposit and loan services to its membership. Deposits are limited to regular shares and club accounts. Personal loans are limited to \$5,000 whether they are secured by shares or unsecured.

As of June 30, 1999, the credit union had total assets of \$1,286,535. Loans comprised 48.9 percent of the institution's total assets. This figure is consistent with that of the last examination which, was 47.3 percent. At the last examination, personal unsecured loans accounted for the credit union's entire outstanding loan portfolio.

The largest portion of the loan portfolio is composed of unsecured loans. These loans represent 95.4 percent of the total loan portfolio.

In order to expand its loan products, in 1999 the credit union approved a Vehicle Loan Program. The credit union to date has granted 3 loans totaling \$28,611 under the Vehicle Loan Program. Refer to the following table for additional information on the breakdown of loans.

LOAN TYPE	\$(000)	PERCENT
Unsecured	599,903	95.4
New Vehicle	17,659	2.8
Used Vehicle	10,952	1.8
GROSS LOANS	628,514	100.0

Source: NCUA call report December June 30, 1999

The credit union's business hours are from 9:00 A.M to 4:00 P.M on Tuesday and 9:00 A.M to 2:00P.M on Thursday. Hours of operation appear convenient and accessible to members.

Lynn Municipal Employees Credit Union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on September 17, 1997. That examination resulted in an overall rating of "Satisfactory".

Description of Assessment Area

The Lynn Municipal Employees Credit Union's by-laws limit membership in the credit union to active and pensioned employees of the City of Lynn, except persons eligible for

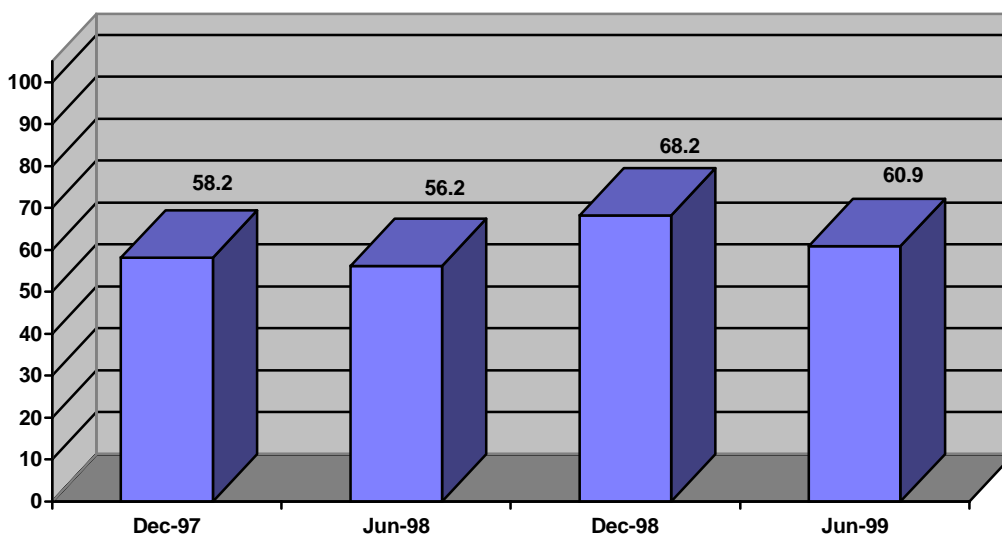
membership in the Lynn Police Credit Union, Lynn Teachers Credit Union, and the Lynn Firemen's Federal Credit Union. As of June 1999, the City of Lynn employed 871 individuals. As of the date of this examination, the Lynn Municipal Employees Credit Union has 769 active members.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

An analysis of the credit union's net loan-to-share ratio was performed during the examination. The analysis utilized the NCUA Semi-annual Call Report data for the institution for the period December 1997 to June 1999. The institution's average net loan-to-share ratio for this period was 60.9 percent. This ratio is based on total loans net of unearned income and net of allowance for loan and lease losses (ALLL) as a percentage of total shares. For the period under review, Call Report data indicated an increase of 2.9 percent in loan growth and a decline of 1.8 percent in share growth resulting in a lower loan to share on June 30, 1999. Overall the loan to share ratios indicate a sustained pattern of growth as of the last examination.

SEMI-ANNUAL NET LOAN TO SHARES RATIOS
December 31, 1997 - June 30, 1999



A comparison of the net loan-to-share ratio of six other credit unions of similar type was also conducted. These other institutions' net loan-to-share ratios ranged from 33.5 percent to 91.2 percent for June 30, 1999. Lynn Municipal Credit Union's net loan-to-share ratio for the same time period was 60.9 percent. Refer to the table below.

COMPARATIVE NET LOAN-TO-SHARE RATIO ANALYSIS

CREDIT UNION	NET LOAN TO SHARE RATIO
Haverhill Municipal Credit Union	91.2

Lynn Municipal Credit Union	60.9
Brookline Municipal Credit Union	58.7
Gloucester Municipal Credit Union	53.5
Medford Municipal Credit Union	53.0
Newton Municipal Credit Union	37.1
Billerica Municipal Credit Union	33.5

As of June 30, 1999

Based upon the credit union's capacity to lend, the types of loans available at the credit union, and the lending opportunities available within the assessment area, the credit union's net loan-to-share ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the CRA Regulation, a credit union whose by-laws are not based on residence, such as the Lynn Municipal Employees Credit Union, may define its membership as its assessment area. Because a membership defined assessment area does not consider any fixed limits on geography, an analysis involving credit extended inside a particular defined geographic area compared to credit extended outside of a particular geographic area is not meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of consumer loans originated among various income levels was conducted. Originations were categorized by the ratio of the applicant's reported income to the 1998 and 1999 median family incomes of the Boston Metropolitan Statistical Area (MSA). The median incomes for the Boston MSA were \$60,000 and \$62,700 respectively. Income figures were based on estimated 1998 and 1999 data from the department of Housing and Urban Development (HUD).

Low- income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate -income is defined as 50 to 79 percent of the median family income; middle- income is defined as income between 80 and 119 percent of the median family income; and upper- income is defined as income greater than 120 percent of the median family income.

A sample of 60 consumer loans was reviewed during this examination in order to determine the institution's lending to borrowers of different income levels.

LOAN ORIGINATIONS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1998	1999*	TOTAL

	#	%	#	%	#	%
<50%	16	53.3	14	46.7	30	50.0
50% - 79%	8	26.7	8	26.7	16	26.7
80% - 79%	4	13.3	6	20.0	10	16.7
120% >	2	6.7	2	6.6	4	6.6
TOTAL	30	100.0	30	100.0	60	100.0

Source: Loan File Data

*Year to date June 30, 1999

As the above table indicates, 76.7 percent of loans originated by the credit union were to borrowers with low and moderate-income, followed by loans to middle-income borrowers with 16.7 percent, and loans to upper-income borrowers with 6.6 percent.

It should be noted that approximately 85.0 percent of the consumer loans reviewed used single incomes for qualifying purposes. Because of this factor, it is expected that the level of lending among low and moderate-income borrowers would be somewhat higher than that of residential mortgage loans, where typically qualifying income is based on the income of two persons. Nevertheless, this distribution of lending demonstrates the credit union's strong willingness to lend to borrowers of all income levels, including those of low and moderate-income.

Based on the above analysis, the distribution of credit among borrowers of different income levels exceeds the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

According to the CRA regulations, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based on residence are permitted to delineate membership as the assessment area. Therefore, since Lynn Municipal Employees Credit Union has defined its assessment area as its membership, as opposed to a geographic area, an evaluation of credit extended by census tract was not conducted, as such an analysis would not be meaningful.

5. REVIEW OF COMPLAINTS

A thorough review of the public comment file revealed that the credit union had received no complaints pertaining to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Lynn Municipal Employees Credit Union does not have a formal Fair Lending policy which adheres to the guidelines established by the Division of Banks Regulatory Bulletin 2.3-101 (formerly Administrative Bulletin 5-10).

STAFF TRAINING

Because of its small size and limited staff, implementing a formal staff training program would be difficult.

STAFF COMPOSITION AND COMPENSATION

The credit union's staff consists of one full time employee and one part time employee. Loan personnel are paid on a salary basis, thereby fostering the origination of loans of all dollar amounts.

OUTREACH

Outreach efforts are limited due to the size and resources of the credit union.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Lynn Municipal Employees Credit Union offers a limited range of credit products to qualified members. The credit union has recently introduced a vehicle loan program.

MARKETING

The credit union has flyers, which detail available services, loan terms and rates. This effort appears to adequately inform all segments of its membership of available credit services.

CREDIT EDUCATION

As a small credit union, resources are not available to sponsor in-house credit education.

COUNSELLING

Members who are experiencing credit difficulties are referred to the appropriate credit counseling agency.

SECOND REVIEW PRACTICES

The credit union does not have a second review policy and does not have any internal control procedures in place to evaluate its lending performance.

There were no policies or procedures observed during the course of the examination which could be construed as discriminatory. Based upon the review of the credit union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

LYNN MUNICIPAL EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **AUGUST 30, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.